FORUM

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Has Washington gone haywire?

RJR executive talks about proposed tobacco legislation

Editor's Note: The following is an excerpt from a recent interview with Tommy Payne, RJR senior vice president of external relations, concerning the proposed tobacco-tax bills before Congress.

Q Would you share your views on the proposed tobacco-tax bills before Congress?

A Yes, it's very simple. These bills embody the politics of punishment in the form of half-a-trillion dollars in new taxes, the greed of government at its worst. The Federal government already makes more money per pack of cigarettes than the tobacco industry and yet they want more. Really, it's the same old song and dance — tax and spend.

There are 47 million adult smokers in the U.S. — the majority of whom make $30,000 or less a year. The current tax bills before Congress would require adult smokers to pay $1,700 a year in new taxes. With a $39 billion surplus that just doesn't make sense.

No one wants kids to smoke, including R.J. Reynolds Tobacco Co. But a big government money grab is not the way to go. Ninety-eight percent of cigarettes sold in the United States are smoked by those of legal age; only 2 percent are smoked by minors. The proposed tax bills before Congress would tax 98 percent in an attempt to influence 2 percent. That just doesn't make sense. When Canada drastically increased its cigarette taxes in the early 1990s, it not only failed to curb youth smoking, but also created a huge contraband market with unregulated access to kids.

There is something fundamentally wrong with the government deciding to tax a product out of reach of adult consumers because Washington "knows what's good for you." Adult Americans who choose to smoke — fully aware of the health risks associated with cigarettes — have the right to make that choice.

Q What were the benefits of the June 20, 1997, tobacco resolution agreement?

A There were three key benefits of the June 20th agreement that had been hammered out by the tobacco industry, states attorney general and public health officials. First, it was an agreement that established a total regulatory regime for the tobacco industry. Although the regulations may have been difficult for the tobacco industry to accept, they would have given our company a measure of predictability.

Second, the resolution effectively addressed the issue of underage smoking by creating the most sustained assault on youth smoking ever envisioned. As you know, RJR does not market to children. But, we all have concerns regarding the use of tobacco products by kids. With the resolution, the industry stood ready to pay huge sums of money annually for programs to help reduce underage smoking.

Third, it provided for the settlement of the majority of our litigation and established an acceptable framework for future litigation.

In all, the tobacco industry believed that we — along with state attorneys general and representatives of the public-health community — had achieved a comprehensive resolution that set clear fair rules for the future while acknowledging that tobacco companies have a legitimate right to exist in our country. Matt Myers of Campaign for Tobacco-Free Kids said, "If you look at the overall comprehensive scope of this agreement, it represents the single most fundamental change in the history of tobacco control in any nation in the world."

Q How is the tobacco industry responding to the proposed tobacco tax bills?

A RJR and the rest of the tobacco industry are educating people about why the proposed tobacco-tax bills and other legislation before Congress are destructive for our company and not supported by the majority of Americans.

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THE PROPOSED TOBACCO TAX BILL

Who pays?

- The proposed tax bill before Congress hits 47 million American adults who choose to smoke — the majority of whom are lower- to middle income people and the least able to pay such a huge increase.
- More than half the taxes will be paid by people making less than $30,000 a year.
- The average smoker will pay $1,700 per year in cigarette taxes.

What happens?

- The price of cigarettes will rise from about $2-per-pack to about $5-per-pack at the retail level. Washington wants the public to think the increase will only be $1.10 per pack. But to cover industry payments, state excise taxes and other costs, the retail price will actually rise to at least $3-per pack.
- Huge taxes alone won't reduce youth smoking. According to data from the U.S. Centers for Disease Control, 11 of the 13 states that raised tobacco taxes in the early 1990s experienced an increase in youth smoking in the years that followed.
- Greater taxes would create a huge contraband market in tobacco products, with unregulated access to kids.
- Nearly two million-American jobs will be affected by the legislation currently pending in Congress.
- Taxes will be used to finance tax cuts for wealthy Americans and pay for new federal spending programs.

Who is responsible?

The government

- Who should teach children right from wrong? Big government or parents?
- Should the government control what adults can see? Should the government decide that the colors on a cigarette pack are too dangerous to be seen in a convenience or grocery store?
- There is something fundamentally wrong with the government deciding to tax a product out of reach of adult consumers because Washington "knows what's good for you."

Adult smokers

- It's about freedom of choice. This debate needs to be about whether adult Americans can be allowed to make their own decisions in their own lives.
- Ninety-eight percent of cigarettes sold are smoked by individuals of legal age. Only 2 percent are smoked by minors. This bill would tax ninety-eight percent in an effort to influence 2 percent.
- It's an adult right to buy a product fully aware of its risks, without the government telling individuals they can't because Washington doesn't want kids to have the same product.

The tobacco industry

- There are only three ways to go on tobacco: prohibition with a nightmarish contraband market; government monopoly; or private enterprise. If private enterprise is the path the country pursues, Washington needs a solution that attacks youth smoking while preserving the legitimate rights of adults to purchase tobacco products.

tobacco legislation

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Andy Schindler, RJR president and CEO, said: "We will not stand idly by while some seek to punish and demonize 47 million adults who choose to smoke. We will marshal every resource we can to fight for our business and the livlihoods created by this industry. Therefore, we are devoting much of our time and resources to speaking out and engaging the American people in the public-policy debate affecting the tobacco industry and our country.

The U.S. has some serious decisions to make about tobacco products. The livelihoods of 1.8 million Americans including tobacco farmers, retailers, wholesalers and suppliers, and many others may be affected. Therefore, RJR is going to ask people both inside and outside of the tobacco industry to join us in this debate. Just as RJR Nabisco Chairman and CEO Steve Goldstone said in his speech to the Washington Press Club recently, we believe that the American people will bring some wisdom and common sense back to these issues.

By speaking out about this issue, perhaps legislators in Washington will come to realize that a reasoned debate on tobacco has been transformed into a grab for new taxes.

For more information about the proposed tax bills before Congress and how to contact your state representatives call 1-800-343-3222 or visit RJR's website at www.rjrt.com.

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EDITORIAL

It Takes Two to Settle

April 10, 1998

By Jonathan Rauch

national correspondent for *National Journal*

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So the tobacco lobby has decided it would rather fight than switch. On Wednesday, RJR Nabisco announced that it would no longer take part in Congressional efforts to draft tough new tobacco legislation, and would oppose a bill by Senator John McCain, the Arizona Republican, that enjoys bipartisan support. The other big companies quickly lined up behind RJR. Good for them. Making Big Tobacco seem like a sympathetic victim takes some doing, but Congress has managed it.

It's true that tobacco companies are no more benign than the product they produce, as mounting evidence shows. The companies' duty, however, is to their shareholders and customers. The Government and the anti-smoking lobby must recognize that fundamental fact and make reasonable demands. In its zeal to reduce smoking — and, not at all incidentally, to raise billions of dollars in new tax money — Congress has overreached.

The story began as a negotiation between the companies and state attorneys general. The resulting agreement, announced last June, gave the tobacco industry immunity from class-action lawsuits in exchange for almost $370 billion over 25 years in new cigarette taxes and various other anti-smoking measures.

The agreement had its flaws. For smokers, it was both regressive and punitive. Cigarette taxes hit the poor hardest, and smokers already more than pay for the social costs of their habit (including, by the way, the state health-care costs that the attorneys general originally sued to recover). But the deal was, at least, a deal.

What the Senate did is something else again. Congress wanted tougher terms, which it was entitled to seek. But it effectively shut the industry out of the negotiations of those terms. Instead, the Senate and the industry's antagonists set out to impose a settlement, which is, of course, no settlement at all.

The result would increase cigarette taxes by a whopping $516 billion over 25 years, but without offering tobacco companies shelter from liability. That double whammy, the industry argued plausibly, might result in the bankruptcy of one or more companies — a result that many activists would welcome.

Moreover, what little legal shelter the Senate provided (an annual cap on liability payments) would be removed if the companies filed a constitutional challenge to tough restrictions on tobacco advertising. In effect, the industry would be fined for asserting its free-speech rights.

Congress is under no obligation to be generous to Big Tobacco. But it should treat even unpopular businesses fairly. Article I, Section 9, of the Constitution forbids Congress from passing "Bills of attainder," meaning laws punishing specific individuals who have not been found guilty in any court.

What Congress proposed to do to the tobacco industry was, roughly speaking, a corporate bill of attainder, a punitive measure taken against a few companies and intended not only to regulate the industry's future behavior but to make it pay for its past sins as well. You don't have to be Thomas Jefferson to foresee trouble when politicians and activists conspire to reach deep into the pockets of unpopular companies.

What goes around comes around. The tobacco companies have done more than their share of hardball lobbying, so it's not surprising that their opponents should be tempted to push too far when at last the tables have been turned.

But the temptation needs to be resisted. First, there will be no tobacco deal unless the industry can live with it. Second, the anti-smoking movement risks its moral capital if it gets too self-righteous. In California, a ban on smoking in bars has sparked something of a grass-roots rebellion. Now, in Washington, the anti-smoking movement is putting vindictiveness ahead of results.

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Fifth annual COPE conference: a sizzling success

Devoted to the business of marketing and promoting African-American nightclubs and entertainment events, the National Club Owners, Promoters & Entertainment (COPE) recently convened for its fifth annual conference in Atlanta, Ga.

This year's conference kicked off with the Unity Luncheon which featured Keynote Speaker Fred Jones, founder and promoter of Memphis' Heritage Festival. Jones discussed his successful approach to corporate event sponsorship — setting the tone for the conference seminars that focused primarily on support for clubs and entertainment events.

COPE's 1998 seminars included information on entertainment industry marketing and promotions, as well as the media. These educational seminars — co-sponsored by R.J. Reynolds Tobacco Co. and Coors Brewing Co. — included: "Media and Advertising;" "Product Promotions & Marketing;" and "Improving Label Promotions."

The "Artists Speak" Luncheon also provided entertainers the opportunity to voice their concerns about career longevity and the need for innovation and diversity within the entertainment industry. Joyce Irby, manager and producer of Warner artist Nadsnuff, moderated a panel of entertainers including Performer, Songwriter and Producer L.A. Snow; Performer, Songwriter and Producer Harvey Scales; and Blues Singer and Songwriter Jesse James.

The star-studded fifth annual COPE Awards Dinner honored entrepreneurs in the entertainment and hospitality business. 1998 honorees included: Louis Cade of "Plum Crazy" nightclub in Raleigh, N.C.; Fred Jones of Summit Management in Memphis, Tenn.; Luther King of "Headliners" nightclub in Memphis, Tenn.; "Organized Noize" producers in Atlanta, Ga.; and The Tom Joyner Morning Show in Dallas, Texas.

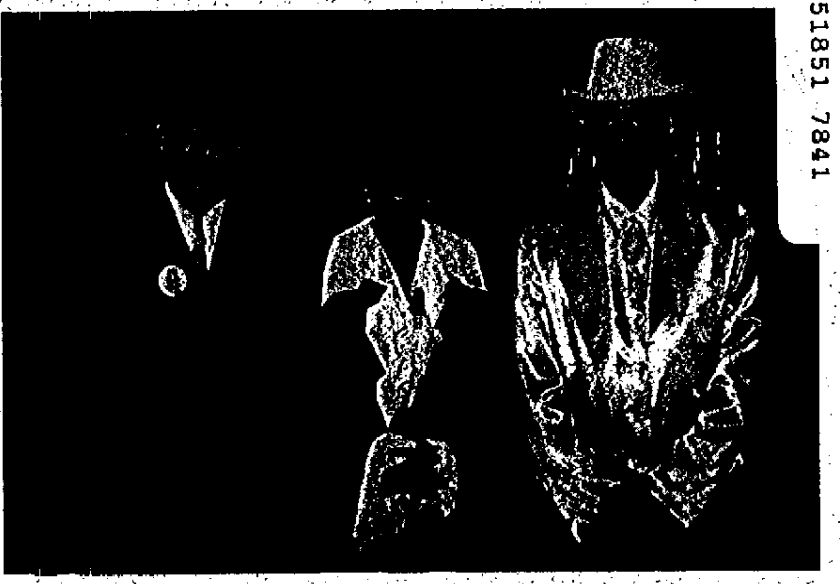
In addition, COPE inducted George Adams of Adams Lounge in Macon, Ga., and L.J. Huger of East Cooper Disco in Charleston, S.C., into its "Over 21 Club." The "Over 21 Club" honors club owners who have owned and operated the same nightclub for more than 21 years.

The COPE Lifetime Achievement Award was presented to Curtis Mayfield after a moving tribute by Janice Black of Warner Brothers Records. Mayfield's award was accepted by Fred Cash and Sam Gooden of The Impressions.

COPE Executive Director Libby Anthony said, "It was a great conference — the best yet! Plans are already in the works for 1999 when we will pay tribute to Las Vegas agent, Helen Greer, for a lifetime of achievements. COPE will be divine in '99."

Reynolds Tobacco has supported the COPE conference for five consecutive years.

Sam Gooden of The Impressions expressed his gratitude for COPE's recognition of his achievements during the organization's fifth annual conference. Gooden and Fred Cash, also of The Impressions, paid tribute to former band member Curtis Mayfield, recipient of the Lifetime Achievement Award during the event.



(From left) COPE Board Members Louis Cade, owner of Plum Crazy nightclub; Denise Rixter regional manager of RJR corporate affairs; and Larry Akles, owner of Reflections nightclub, took part in COPE's 1998 conference. ⇨

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CHCC holds annual Legislative Day

The California Hispanic Chamber of Commerce (CHCC) recently held its annual Legislative Day at the California State Capitol for members of the CHCC's legislative committee. A number of legislators attended meetings organized by the CHCC to discuss topics including newly organized Political Action Committees, promotion of Hispanic business and endorsement of public officials supporting the interests of Hispanic-owned business. Among the legislators and CHCC members in attendance were (from left) CHCC Chair Rafael Sanchez; RJR Regional Manager of Corporate Affairs Jim Duran; California Senator Richard Polanco; CHCC President Andrew Ysiano; CHCC Treasurer Louis Sanchez; and CHCC Legal Council John Rueda.

The CHCC represents the interests of more than 258,000 Hispanic businesses in California — the largest regional Hispanic business organization in the United States. The chamber works to maximize the economic and political role of Hispanic businesses by acting as key advisors to business and government, and advocating and contributing to Hispanic business in California.

NAHP celebrates 12th annual convention

More than 850 Hispanic publishers and representatives of Hispanic publications from across the U.S. gathered in Austin, Texas, earlier this year to celebrate the National Association of Hispanic Publications' (NAHP) 12th Annual Convention — the most successful convention in the organization's history. Reynolds Tobacco sponsored a luncheon during the three-day event to honor Hispanic leaders from Texas. Bert Gomez, RJR national manager of corporate affairs, addressed the attendees on the company's commitment to working with minority groups across the country. Pictured (from left) are J.J. Vigneault, RJR field coordinator; Bert Gomez; State Senator Gonzalo Barrientos of Austin, Texas; and Eddy Escobedo, president of the NAHP.

11th Airborne honors women of America's military

Each year, the Rudy Hernandez Medal of Honor Chapter of the 11th Airborne Division Association of Southern California commemorates the rescue of 1,247 American internees by units of the 11th Airborne Division and Filipino Guerillas from the 1945 Los Banos Internment Camp. In remembrance of this heroic event, the chapter recognizes the Airborne and members of all the services for their courageous contribution in all wars.

This year, the chapter recognized the women who have served in the armed forces — past, present and future. Honored were high ranking women from each of the five main divisions of the U.S. armed forces:

- Jean Donaldson, lieutenant – Coast Guard
- Oralia Garcia, gunnery sergeant – Marines
- Denise Hurst, petty officer 1st class – Navy
- Susan Inot, lieutenant colonel – Army
- Maria Martinez, master sergeant – Air Force

California Assemblywoman Grace Napolitano pins the American Anthem Medal on RJR's Jim Duran in thanks for Reynolds Tobacco's continuous support of the 11th Airborne Division Association of Southern California.

"We must never forget the battles that were fought abroad for our country," said Chapter President Rudy Garcia. "We are here to celebrate our successes and to recognize the women who have fought so courageously in our armed forces. They deserve our heart felt thanks for their sacrifice at home and abroad."

R.J. Reynolds Tobacco Co. has supported the 11th Airborne for five years. In thanks for RJR's continued support of the Los Banos Grand Ball and Gala, the chapter also presented Jim Duran, RJR regional manager of corporate affairs, with an American Anthem Medal.

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Women in corporate America:

achieving excellence

Honoring women who have captured the respect of Atlanta's business leaders and officials, and raising funds for high-school seniors aspiring to receive a college education, were among the highlights of the "Women in Corporate America: Achieving Excellence" conference held recently in Atlanta, Ga.

"Nu Lambda is proud to honor six visionary women from corporate America who are indeed pioneers of the future. Their achievements inspire all of us to have a deepened sense of the community."

Mary Lynn Watkins,
president of The Nu Lambda Omega Chapter
of the Alpha Kappa Alpha sorority

Mary Lynn Watkins, president of The Nu Lambda Omega Chapter of the Alpha Kappa Alpha (AKA) sorority — the group that organized the event — said, "Nu Lambda is proud to honor six visionary women from corporate America who are indeed pioneers of the future. Their achievements inspire all of us to have a deepened sense of the community."

The following women were honored for outstanding achievements in the Atlanta area and for their ability to succeed in corporate America:

- Rosalind Boyd of Bell South Mobility;
- Miranda Mack McKenzie of Anheuser-Busch Companies;
- Rita Owens of Publix Supermarkets;
- Thomasina Skipper of State Farm Insurance Company;
- Denise Rixter of R.J. Reynolds Tobacco Company; and
- Evelyn Robinson of Star Enterprise/Texaco.

Nu Lambda Omega works to serve the community by sponsoring community health fairs, educational and political forums, and math and science quiz bowls; providing tutorial programs and Thanksgiving baskets to the needy; and encouraging support of African-American businesses through the AKA Black Dollar Month.

"I am honored to be recognized by the Nu Lambda Omega chapter of AKA," said RJR's Denise Rixter. "I am grateful that Reynolds Tobacco allows me to serve as a catalyst in the development of our community." RJR has supported the regional efforts of the Alpha Kappa Alpha sorority for five years.

(From left) Reynaldo Macias, chief operating officer of Physician Management; Jim Duran, regional manager of RJR corporate affairs; Jose Hernandez, president of Mariachi Heritage Society; and Sergio Montolfo, vice president of operations of Phillips and King, gathered recently to support KAGRO's fundraising efforts.

KAGRO supporters raise money to assist foundation's efforts

Supporters of the Korean American Grocers Association of California (KAGRO) recently gathered to raise money for the organization's foundation during the KAGRO Foundation Annual Spring Scholarship Golf Tournament.

Established in 1990, the KAGRO foundation is a non-profit public-benefit corporation that works to further the spirit of KAGRO's commitment to service in communities where its members conduct their businesses.

Among the activities of the KAGRO Foundation are educational services for Korean immigrants to overcome social, cultural and economic barriers; scholarships to eligible youth in communities serviced by KAGRO members; and fundraising activities that benefit community organizations, charities and social services.

Jim Duran of RJR, who attended the fundraiser said, "RJR Nabisco is proud to support KAGRO in their efforts to improve relationships with retailers, vendors and suppliers. KAGRO's voice and support of issues that effect the retail community has been a tremendous asset to the retail business community." RJR Nabisco is a gold sponsor of the KAGRO Foundation.

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'Africa In April' promotes pride and heritage within Memphis community

Pride, heritage and exposure to business opportunities abroad are all components of the "Africa In April International Festival," held each year in Memphis, Tenn.

"The goal of the festival is to encourage African-Americans to take pride in their African heritage by exposing them to the people, music and artifacts of the event's honorary African country," says David Acey, executive director of Africa In April. "Through the event, African-American entrepreneurs are also exposed to the process of doing business with African countries and business contacts."

A number of activities were available to festival visitors including: "International Entrepreneur Day," which has been sponsored by R.J. Reynolds Tobacco Co. for six consecutive years; "Salute to Achievement and Academic Excellence," which highlighted Memphis area schools; "Family Health Wellness Day," which featured a health fair; an international fashion show followed by a blues showcase featuring Memphis artists; "International African-American Music Day," which featured free concerts and a vendor marketplace.

In addition, the Suggs family of Memphis was named "Africa In April's First Family of the Year" for their history of public service to the Memphis community. Rev. W.A. Suggs, pastor of Friendship Baptist Church, and Cornelia Suggs, retired teacher of Melrose and Overton High Schools, were recognized for mentoring children through the church and school system for a total of more than 50 years. Denise Suggs Rixter was also recognized for continuing the legacy of her family by assisting the development of the Memphis community through her position as regional manager of Reynolds Tobacco's corporate affairs department.

In accepting the award on behalf of the Suggs family, Rixter said, "The Suggs family is deeply honored to be recognized as Africa In April's First Family of the Year. Additionally, RJR sincerely appreciates the consistent support of the festival's co-executive directors David and Yvonne Acey." Along with RJR, TLC Health Plan; Tri-State Bank; Memphis Convention and Visitor's Bureau; Access Med Plus and Federal Express were all sponsors of the weekend activities.

During Africa in April's 1998 festival, Denise Rixter of RJR's corporate affairs department accepted the organization's "First Family of the Year Award" on behalf of her family. In accepting the award, Rixter thanked RJR for the opportunity to assist the development of the Memphis, Tenn., community.

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RJR recently hosted a dinner to support the efforts of the National Hispanic Caucus of State Legislators. Among the evening's attendees were: (Seated, from left) Representative Ben Ramos of Philadelphia, Pa.; Bert Gomez of RJR; Senator Efrain Gonzalez Jr. of New York; Representative Millie Gonzalez of Connecticut; (Standing, from left) Michael Suggs of RJR; Assemblyman Peter Rivera of New York; Representative Hector Diaz of Connecticut; Caesar Viramontes of the Congressional Hispanic Caucus Institute; Representative John Martinez of Connecticut; and Assemblyman Adriano Espaillat of New York.

Calendar of Events

Reynolds Tobacco hosts dinner for NHCSL

The corporate affairs and state government relations departments of R.J. Reynolds Tobacco Co. recently hosted a dinner for the Northeast members of the National Hispanic Caucus of State Legislators (NHCSL) — a group representing more than 300 Hispanic state elected officials from across the country.

"We value and appreciate the support Reynolds Tobacco and Bert Gomez, our corporate roundtable co-chair, have given the NHCSL in recent years," said New York State Senator Efrain Gonzalez, president of the NHCSL. "Bert's personal involvement and RJR's contributions have made it possible for our organization to continue to execute programs in our communities and participate in national events."

RJR will support the NHCSL's participation in several national Hispanic conventions scheduled for this year.

"The NHCSL has been supportive of RJR's efforts and we respect the work they pursue in the Hispanic communities across the country," said RJR Vice President of Corporate Affairs Ben Ruffin. "It's important that we continue to assist organizations that create opportunities for people and those groups that make a difference when it comes to policy-making."

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